

Conduct of Study

Between November 27 and December 5, 2006, telephone interviews were conducted with 400 North Dakota residents. The primary objectives of the study were to:

- Assess public perception of the oil and gas industry in North Dakota
- Determine resident opinion regarding what should be done with oil and gas company profits in the state.
- Identify facts that would be effective in gaining public support for changing North Dakota's oil and gas taxes

Survey participants included North Dakota residents who were at least 18 years of age. Those who were employed by an advertising agency, market research firm or an oil company were excluded from participation, as were their respective household members.

The sample used for this study was selected randomly from a listing of all available telephone numbers for the state and was stratified by county. The overall margin of error for this study was $\pm 4.90\%$.

A mandatory training session was held for interviewers and others working on the project before the interviews began. All interviewing sessions were supervised and periodic inspections of each interviewer's forms were made in order to identify errors and omissions - a practice ensuring early resolution of any problems in the interviewing process. For added quality assurance, interviews were randomly monitored by supervisors via a special telephone monitoring system. All data was double entered and then compared for discrepancies.

Northern Alliance commissioned the study and designed the questionnaire collaboratively with the Odney Advertising Agency and DH Research. A copy is located in the Appendix.

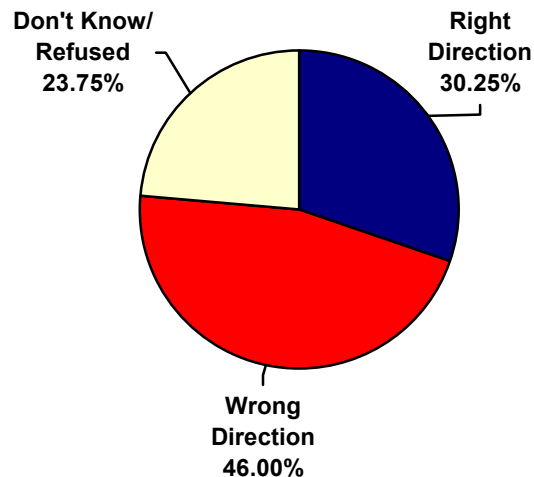
Executive Summary

- ❖ In regard to oil and gas development, almost half of residents feel the U.S. energy policy is headed in the wrong direction; a little less than one-third think it is headed in the right direction.
 - One-fourth of the residents weren't sure or refused to answer.
- ❖ Respondents strongly agree that the oil industry is important to North Dakota's economy, the United States needs to decrease its reliance on foreign oil and increase its use of renewable energy, and that we should reduce our consumption of oil by using energy more efficiently.
 - Residents also feel North Dakota should promote ways to increase its domestic oil and natural gas.
 - In addition, they believe oil and natural gas prices will become more expensive in the next ten years.
- ❖ Residents do not believe oil companies charge fair prices.
- ❖ More than half of residents think oil and gas companies should be taxed even if they don't make a profit.
- ❖ The most important facts in gaining public support for changes in North Dakota's oil and gas taxes to increase oil production in the state would be that increased oil production would increase the number of good energy jobs and would reduce our dependence on foreign energy.
 - The fact that taxes paid by North Dakota's oil and gas producers helps to reduce local property taxes was not considered important.
- ❖ Two out of three residents would support changes in oil and gas taxes to increase oil production in the state; one-fifth would not.
 - Support levels did not change after respondents heard various facts about the oil and gas industry.

Summary of Findings

While 30.25% of North Dakota residents feel the U.S. energy policy is headed in the right direction when it comes to oil and gas development, almost half (46.00%) think it is headed in the wrong direction. Nearly one out of four (23.75%) indicated they weren't sure how they felt or refused to answer. Men and those living in the eastern half of the state were more likely than their counterparts to say the policy is headed in the wrong direction. Western North Dakota residents were more apt than eastern residents to feel it is moving in the right direction; women were less likely than men to provide a response. (Figure 1; Table 1)

Figure 1
U.S. Energy Policy Regarding Oil and Gas Development
Headed in the Right Direction or Wrong Direction?



Using a scale of one, strongly disagree, to nine, strongly agree, residents rated their level of agreement with a variety of statements related to the oil and natural gas industry in North Dakota. The highest level of agreement was expressed for *the oil industry is important to North Dakota's economy* (8.19), *the United States needs to decrease its reliance on foreign oil as an energy source* (8.19), *the United States should increase its use of renewable energy including ethanol and bio-diesel* (8.13) and *we should reduce our consumption of oil by using energy more efficiently* (8.03). Strong agreement was also felt toward *North Dakota should promote ways to increase its domestic oil and natural gas* (7.81), *oil and natural gas prices will become more expensive in the next ten years* (7.77) and *the United States should increase our domestic production of oil and natural gas* (7.47). (Figure 2 on page 5; Table 2)

Respondents also agreed, though to a lesser extent, that *the oil and gas industry provides thousands of good paying jobs in North Dakota* (6.86), *federal and state taxes are too high on gasoline, propane, fuel oil and natural gas* (6.69) and *government regulations on the oil industry are helping to drive up prices* (6.64). They somewhat agreed with the idea that *the oil industry helps make possible America's high standard of living* (6.10), *oil and gas companies are environmentally responsible* (5.92), *using oil has a negative impact on the environment* (5.49) and *oil prices are high because the United States uses too much of the world's oil supply* (5.46). Residents disagreed with the notion that *oil companies charge a fair price* (3.65). (Figure 2 on page 5; Table 2)

Residents who were 55 or older were more likely than younger respondents to feel *the oil industry is important to North Dakota's economy*. (Table 3)

Ratings for *the United States needs to decrease its reliance on foreign oil as an energy source* increased with age, as did the ratings for *North Dakota should promote ways to increase its domestic oil and natural gas*. (Tables 4 and 7)

Western North Dakota residents were more inclined than eastern North Dakotans to believe that *oil and natural gas prices will become more expensive in the next 10 years*. (Table 8)

Respondents under 35 were less likely than older residents to agree with the idea that *the United States should increase our domestic production of oil and natural gas*. (Table 9)

The oil and gas industry provides thousands of good paying jobs in North Dakota received higher agreement ratings from those living in the western part of the state, men and respondents who were 55 or older. (Table 10)

Those who were 55 or older provided a higher mean agreement rating than younger respondents for the statement, *the oil industry helps make possible America's high standard of living*. (Table 13)

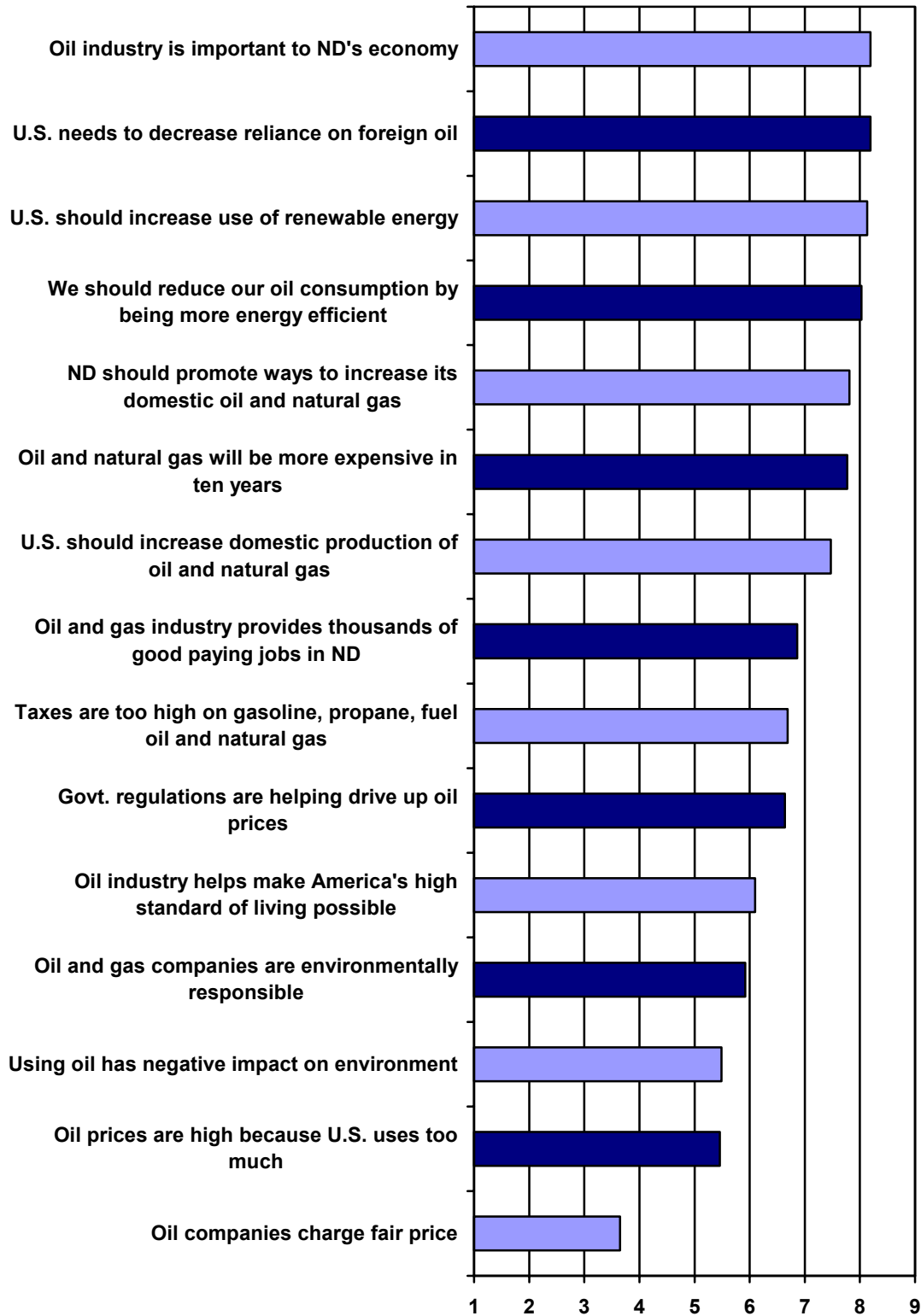
Men, western North Dakotans and residents 55 or older were more apt to believe that *oil and gas companies are environmentally responsible*. (Table 14)

Using oil has a negative impact on the environment received higher agreement ratings from women and those living in the eastern half of the state. (Table 15)

Compared to others, residents between 35 and 54 were less likely to believe that *oil prices are high because the U.S. uses too much of the world's oil supply*. (Table 16)

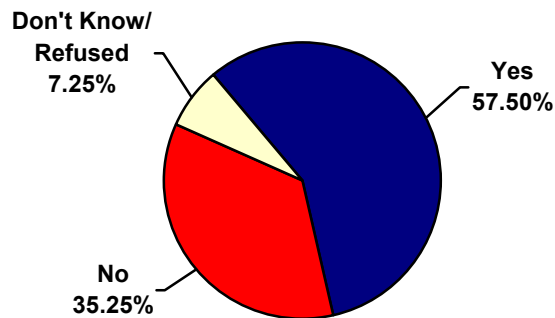
Agreement with *oil companies charge a fair price* increased with age. (Table 17)

Figure 2
Mean Rating: Level of Agreement
(1=Strongly Disagree, 9=Strongly Agree)



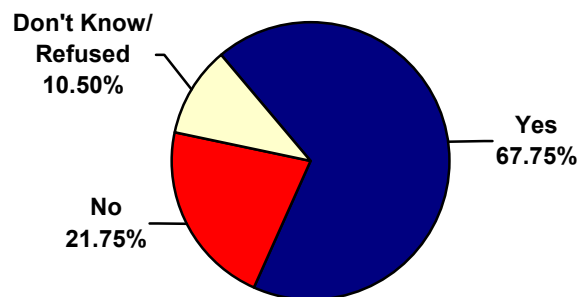
A little more than half (57.50%) of the respondents thought oil and gas companies should be taxed even if they don't make a profit. About one-third (35.25%) didn't think they should be taxed and 7.25% weren't sure or chose not to provide a response. Women were more likely than men to believe the companies should be taxed anyway; men were more likely than women to say they should not be taxed. Those who were 55 or older were less apt than younger respondents to believe the companies should be taxed regardless of whether or not they make a profit. (Figure 3; Table 18)

Figure 3
Should Oil and Gas Companies be Taxed Even if they Don't Make a Profit?



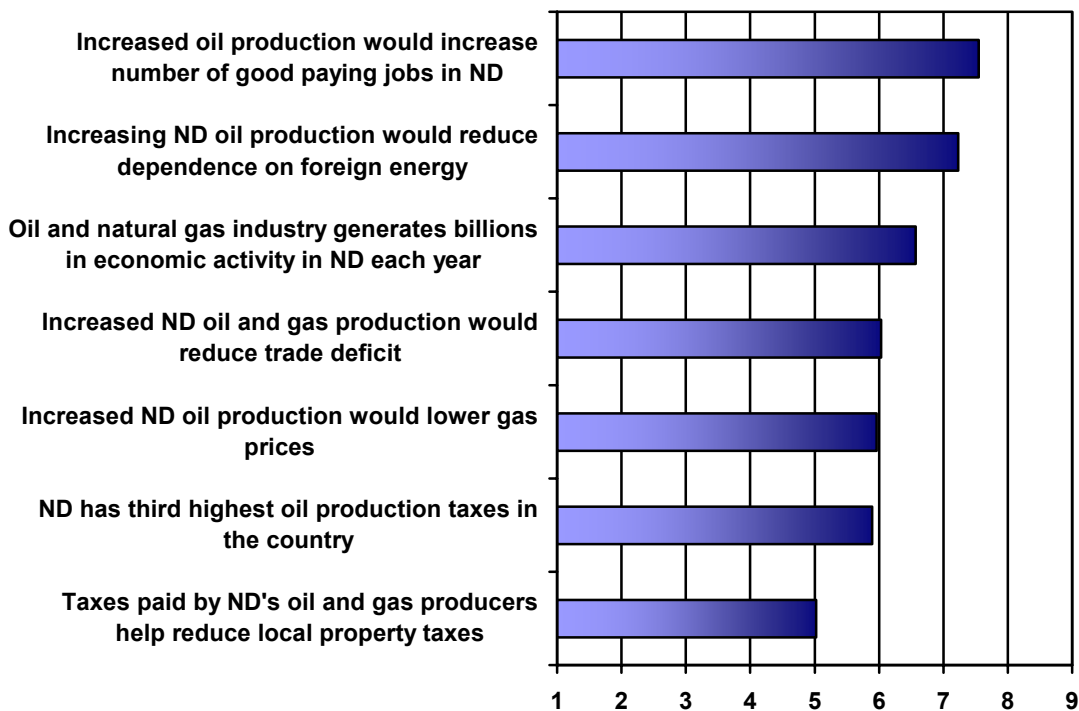
Two out of three (67.75%) of North Dakota residents would support changes in oil and gas taxes to increase oil production in the state; 21.75% said they would not support such a change. One in 10 (10.50%) didn't know if they would support a change or refused to answer. (Figure 4; Table 19)

Figure 4
Would You Support Changes in Oil and Gas Taxes to Increase Oil Production in North Dakota?



When it comes to gaining public support for changes in North Dakota's oil and gas taxes to increase oil production in North Dakota, jobs, foreign oil and the state's economy were seen as being the most important. Using a nine-point scale, where one means not at all important and nine means very important, residents gave their highest importance ratings to *increased oil production would increase the number of good energy jobs in North Dakota* (7.55), *increasing North Dakota oil production would reduce our dependence on foreign energy* (7.23) and *the oil and natural gas industry generates billions in economic activity in North Dakota each year* (6.57). Statements that were only considered somewhat important in gaining support for tax changes included *increased North Dakota oil and gas production would reduce our nation's trade deficit* (6.03), *increased North Dakota oil production would lower gas prices* (5.96) and *North Dakota has the third highest oil production taxes in the country* (5.89). *Taxes paid by North Dakota's oil and gas producers help reduce local property taxes* (5.02) was not seen as being important. (Figure 5; Table 20)

Figure 5
Mean Rating: Level of Importance in Supporting Changes
in ND's Oil and Gas Taxes to Increase Oil Production
(1=Not at all Important, 9=Very Important)



Women and those who were 55 or older considered *increasing North Dakota oil production would reduce our dependence on foreign energy* more important than did their counterparts. (Table 22)

As age increased, so did the mean importance ratings assigned to *increased oil production would increase the number the number of good energy jobs in North Dakota, the oil and natural gas industry generates billions in economic activity in North Dakota each year and increased North Dakota oil and gas production would reduce our nation's trade deficit.* (Tables 21, 23 and 24)

Increased North Dakota oil production would lower gas prices was seen as being more important by women and less important by those 35 to 54. (Table 25)

Western North Dakotans felt *North Dakota has the third highest oil production taxes in the country* would be more important in convincing someone to support changes in oil and gas taxes than did their eastern counterparts. (Table 26)

Taxes paid by North Dakota's oil and gas producers help reduce local property taxes received higher importance ratings from women and lower importance ratings from those who were 55 or older. (Table 27)

Public support for changes in oil and gas taxes did not change after being presented with additional industry facts. Those who said they would support the changes initially (67.75%) remained stable at 68.75%, as did the number who would not support a change (21.75% initially; 20.50% after facts). After hearing the facts related to oil and gas industry in North Dakota, 10.75% of the respondents (10.50% initially) didn't know if they would support tax changes or refused to offer a response. (Figure 6; Tables 19 and 28)

Figure 6
After Hearing Facts, Would You Support Changes in Oil and Gas Taxes?

